



To: Members of the Michigan House Insurance Committee

From: Andy Johnston, Vice President of Government Affairs

Subject: Support for SBs 1293 & 1294

Date: November 13, 2012

On behalf of the Grand Rapids Area Chamber of Commerce and our 2,700 members, we support Senate Bills 1293 and 1294.

For our members, both small and large, the cost of health care is a top concern and SBs 1293 and 1294 are important pieces of legislation for Michigan's health care marketplace.

With more than 4 million subscribers, Blue Cross Blue Shield of Michigan (BCBSM) is the state's largest health insurance provider. As you know, unlike other insurance companies, which are regulated under the state Insurance Code, BCBSM is regulated by Public Act 350. That law was created to designate BCBSM as the "insurer of last resort" and ensure that everyone has access to health insurance regardless of health status. In return, BCBSM is not required to pay state and local taxes, saving them approximately \$100 million a year.

Under the Affordable Care Act (ACA) all carriers are treated the same regarding rating and underwriting. Most significantly, under the ACA, BCBSM will no longer be Michigan's "insurer of last resort" as it requires guaranteed issue, renewal and no pre-existing conditions for all carriers.

Since this special status is no longer needed, Senate Bills 1293 and 1294 would convert BCBSM to a nonprofit mutual insurance company owned by policyholders and regulated under the same code that governs the state's other health insurers, requiring them to pay taxes. This conversion will streamline the regulatory environment while providing needed safeguards to ensure BCBSM remains the "insurer of last resort" until 2014 and the company remains in Michigan and is not sold or demutualized.

Without this conversion, it should be noted that BCBSM would have an advantage over other carriers if they were able to retain their ability to pay no taxes and no longer be the "insurer of last resort."

This proposal complies with the Chamber's health care priorities and will level the playing field for health insurers, creating a more competitive environment.

This legislation is timely and appropriate given the changes happening in the health care marketplace. It will also allow for room to maneuver should there be changes to the ACA.

We believe this legislation will help Michigan move forward and urge you to support Senate Bill 1293 and 1294.

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